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July 20, 2015

The Honorable Pat Roberts
Chairman
The Honorable Debbie Stabenow
Ranking Member
Committee on Agriculture, Nutrition, and Forestry
United States Senate

The Honorable K. Michael Conaway
Chairman
The Honorable Collin C. Peterson
Ranking Member
Committee on Agriculture
House of Representatives

Subject: *Department of Agriculture, Animal and Plant Health Inspection Service: Importation of Beef From a Region in Brazil*

Pursuant to section 801(a)(2)(A) of title 5, United States Code, this is our report on a major rule promulgated by the Department of Agriculture, Animal and Plant Health Inspection Service (APHIS) entitled "Importation of Beef From a Region in Brazil" (RIN: 0579-AD41). We received the rule on July 6, 2015. It was published in the *Federal Register* as a final rule on July 2, 2015. 80 Fed. Reg. 37,923.

The final rule amends the regulations governing the importation of certain animals, meat, and other animal products by allowing, under certain conditions, the importation of fresh (chilled or frozen) beef from a region in Brazil (the States of Bahia, Distrito Federal, Espírito Santo, Goiás, Mato Grosso, Mato Grosso do Sul, Minas Gerais, Paraná, Rio Grande do Sul, Rio de Janeiro, Rondônia, São Paulo, Sergipe, and Tocantins). Based on the evidence in a recent risk assessment, APHIS determined that fresh (chilled or frozen) beef can be safely imported from those Brazilian States provided certain conditions are met. This rule provides for the importation of beef from the designated region in Brazil into the United States while, according to APHIS, continuing to protect the United States against the introduction of foot-and-mouth disease.

Enclosed is our assessment of APHIS's compliance with the procedural steps required by section 801(a)(1)(B)(i) through (iv) of title 5 with respect to the rule. Our review of the procedural steps taken indicates that, other than the Unfunded Mandates Act as discussed in the enclosure, APHIS complied with the applicable requirements.

If you have any questions about this report or wish to contact GAO officials responsible for the evaluation work relating to the subject matter of the rule, please contact Shirley A. Jones, Assistant General Counsel, at (202) 512-8156.

signed

Robert J. Cramer
Managing Associate General Counsel

Enclosure

cc: Judy Lee
Congressional Review Coordinator
Department of Agriculture

REPORT UNDER 5 U.S.C. § 801(a)(2)(A) ON A MAJOR RULE
ISSUED BY THE
DEPARTMENT OF AGRICULTURE,
ANIMAL AND PLANT HEALTH INSPECTION SERVICE
ENTITLED
“IMPORTATION OF BEEF FROM A REGION IN BRAZIL”
(RIN: 0579-AD41)

(i) Cost-benefit analysis

The Department of Agriculture, Animal and Plant Health Inspection Service (APHIS) examined the potential economic impacts of this final rule and found that the economic effects of the rule for both U.S. producers and consumers are expected to be small. APHIS also noted that welfare gains for consumers will outweigh producer losses, resulting in a net benefit to the U.S. economy. Accordingly, APHIS has concluded that the risk of exposing U.S. livestock to foot-and-mouth disease via fresh beef imports from Brazil is sufficiently low so that such imports are safe. Annual imports of fresh (chilled or frozen) beef from Brazil are expected to range between 20,000 and 65,000 metric tons (MT), with volumes averaging 40,000 MT. Quantity, price, and welfare changes are estimated for three import scenarios. The results are presented as average annual effects for the 4-year period, 2015–2018. A portion of the beef imported from Brazil will displace beef that would otherwise be imported from other countries. The model indicates that the net annual increase in U.S. fresh beef imports will be 15,894 MT (79 percent of 20,000 MT) under the 20,000 MT scenario; 32,000 MT (80 percent of 40,000 MT) under the 40,000 MT scenario; and 52,654 (81 percent of 65,000 MT) under the 65,000 MT scenario.

Under APHIS's models, if the United States imports 40,000 MT of beef from Brazil, total U.S. beef imports will increase by 2.8 percent. Due to the supply increase, the wholesale price of beef, the retail price of beef, and the price of cattle (steer) are estimated to decline by 0.65, 0.26, and 0.70 percent, respectively. U.S. beef production will decline by 0.03 percent while U.S. beef consumption and exports will increase by 0.2 and 0.7 percent, respectively. The 20,000 MT and 65,000 MT scenarios show similar quantity and price effects. According to APHIS, the fall in beef prices and the resulting decline in U.S. beef production will translate into reduced returns to capital and management in the livestock and beef sectors. Under the 40,000 MT import scenario, beef processors will experience a decline in surplus of \$28.85 million or 0.85 percent, while consumers will benefit from the decrease in price by an increase in their surplus by \$387.50 million or 1.14 percent. Cattle producers will experience decline in welfare of \$216.01 million or 8 percent. APHIS noted that the overall impact will be a net welfare gain of \$358.36 million or 1 percent for producers and consumers in the beef processing sector. For the combined beef and cattle sectors, there will be a \$142 million net welfare gain (0.36 percent net benefit). As indicated in the final rule, the 20,000 MT and 65,000 MT scenarios show similar welfare impacts, with net benefits increasing broadly in proportion to the quantity of beef imported.

(ii) Agency actions relevant to the Regulatory Flexibility Act (RFA), 5 U.S.C. §§ 603-605, 607, and 609

APHIS stated that it prepared a Final Regulatory Flexibility Analysis that examined the potential economic effects of this rule on small entities. In its submission to us, the agency indicated that

it had not certified that the rule would not have a significant impact on a substantial number of small entities. However, the rule states that APHIS determined that, while most of the establishments that will be affected by this rule are small entities, based on the results of APHIS's analysis, the agency does not expect the impacts to be significant.

(iii) Agency actions relevant to sections 202-205 of the Unfunded Mandates Reform Act of 1995, 2 U.S.C. §§ 1532-1535

APHIS did not address the Act in the final rule. In its submission to us, however, the agency indicated that it had not prepared a written statement under the Act for this rule.

(iv) Other relevant information or requirements under acts and executive orders

Administrative Procedure Act, 5 U.S.C. §§ 551 et seq.

On December 23, 2013, APHIS published a proposed rule. 78 Fed. Reg. 77,370. The agency reopened and extended the deadline for comments until April 22, 2014. 79 Fed. Reg. 10,999 (Feb. 27, 2014). APHIS received 870 comments from producers, trade associations, veterinarians, representatives of state and foreign governments, and individuals.

Paperwork Reduction Act (PRA), 44 U.S.C. §§ 3501-3520

APHIS determined that this final rule contains an information collection requirement under the Act. The information collection requirement has been submitted to the Office of Management and Budget (OMB) for review under OMB Control Number 0579-0414.

Statutory authorization for the rule

APHIS promulgated this final rule under the statutory authority of sections 450, 7701-7772, 7781-7786, and 8301-8317 of title 7; sections 136 and 136a of title 21; and section 9701 of title 31, United States Code. The agency also cited sections 2.22, 2.80, and 371.4 of title 7, Code of Federal Regulations.

Executive Order No. 12,866 (Regulatory Planning and Review)

The rule was determined to be economically significant for purposes of the Order and was therefore reviewed by OMB.